

ATHLETIC DEPARTMENT,
LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT

ISSUED JANUARY 11, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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	Page
Independent Accountant's Report on the Application of Agreed-Upon Procedures	2
	Statement
Financial Statement - Statement of Revenues and Expenses (Unaudited)..... A	11
Notes to the Financial Statement (Unaudited)	13



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

December 7, 2005

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

DR. DANIEL D. RENEAU, PRESIDENT
LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Ruston, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as president of Louisiana Tech University (university), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the Louisiana Tech University Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3 for the year ended June 30, 2005. University management is responsible for the Statement (unaudited) and related notes (unaudited) and compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of Louisiana Tech University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

STATEMENT OF REVENUES AND EXPENSES

GENERAL PROCEDURES

1. We obtained written representations from management as to the fair presentation of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and regulations, and other information we considered necessary for the year ended June 30, 2005. We also verified the mathematical accuracy of the amounts on the Statement and agreed the amounts to supporting schedules provided by the university and the university's general ledger.

We found no exceptions as a result of these procedures.

2. We obtained an understanding and tested the specific elements of the control environment and accounting systems that are unique to the university's intercollegiate athletics program.

We detected no significant deficiencies in the control environment and accounting systems as a result of these procedures.

3. We compared each operating revenue and expense category for June 30, 2004, and June 30, 2005, to identify variances of 20% or greater between individual revenue and expense categories (line items) that are 5% or more of the total.

As a result of our procedure, we identified each variance of 20% or greater that is 5% or more of the total in the following revenue and expense accounts:

Revenues

Ticket sales

Game guarantees

Conference distributions

Expenses

Operating services

4. We compared the budgeted revenues and expenses to actual revenues and expenses for each operating revenue and expense category for the year June 30, 2005, to identify any variances of 20% or greater in individual revenue and expense categories (line items) that are 5% or more of the total.

We identified no variances that were 20% or greater in individual revenue and expense categories that were 5% or more of the total.

**MINIMUM AGREED-UPON PROCEDURES
FOR REVENUES**

1. Using a schedule prepared by the university, we compared the value of tickets sold for the reporting period per the schedule to the related revenue reported in the Statement. We agreed the information on the schedule to the supporting game reconciliation for the football and basketball games with the largest ticket sales. We recalculated the reconciliations for the games tested.

We found no exceptions as a result of these procedures.

2. We selected the away game with the largest game guarantee settlement and agreed the amount to the general ledger and to the contractual agreement. We recalculated the totals on the contractual agreement.

We found no exceptions as a result of these procedures.

3. We compared the indirect institutional support recorded by the university during the period with state appropriations, institutional authorizations and/or other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

4. We compared the direct institutional support recorded by the university during the period with state appropriations, institutional authorizations and/or other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

5. We obtained and inspected agreements related to the university's participation in revenues from NCAA/Conference tournaments during the period to gain an understanding of relevant terms and conditions. We compared and agreed related revenues to the general ledger and the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

6. We were to obtain and inspect agreements related to the university's participation in revenues from broadcasts, television, radio, and Internet rights during the period to gain an understanding of relevant terms and conditions.

We found no revenues reported related to broadcasts, television, radio, or Internet rights during the period.

7. We obtained and inspected agreements related to the university's participation in revenues from royalties, advertisements, and sponsorships during the period to gain an understanding of relevant terms and conditions. We compared and agreed related revenues to the general ledger and the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

8. We were to obtain and inspect sport-camp contracts between the university and persons conducting university sport camps or clinics during the period. The university was to provide a schedule listing each camp, the total amount of revenue generated for the camp, the charge per participant, and number of participants for the camp. We were to review and recalculate the largest camp totals.

We found that the sport camps are conducted by the coaches and not the university and no revenues or expenses are reported by the university.

9. We selected one operating revenue receipt from each category not previously mentioned and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

**MINIMUM AGREED-UPON PROCEDURES
FOR EXPENSES**

1. We selected a sample of four students from the listing of university student aid recipients and obtained individual student-account detail for each selection and compared total aid allocated from the related aid award letter to the student's account. We recalculated the totals.

We found no exceptions as a result of these procedures.

2. We obtained and inspected the largest contractual agreement pertaining to expenses recorded by the university from a guaranteed contest during the period and agreed the related expenses to the university's general ledger and Statement. We recalculated the totals.

We found no exceptions as a result of this procedure.

3. We obtained from management a list of coaches and support staff/administrative personnel paid by the university and examined the contracts for the head coaches from football, men's and women's basketball, and two support staff/administrative personnel. The following procedures were performed:
 - a. Compared and agreed the financial terms and conditions of each head coach selected to the related coaching salaries, benefits, and bonuses recorded by the university and related entities in the Statement
 - b. Obtained and inspected W-2s, 1099s, et cetera, for each selection
 - c. Compared and agreed related W-2s, 1099s, et cetera, for each selection to the related salaries, benefits, and bonuses paid by the university and related entities' expense recorded by the university in the Statement during the reporting period

We found no exceptions as a result of these procedures. It was noted the university included in the amounts reported as salaries, salary allocations from funds other than athletic accounts.

4. We were to use a list prepared by the university to select an athletic employee who received the highest severance payment and agree the severance pay to the related termination letter or employment contract. We were also to recalculate the totals.

We found that no athletic employees received severance payments as defined by NCAA guidelines.

5. We obtained and documented an understanding of the university's recruiting expense policies. We compared and agreed these policies to existing university and NCAA related policies.

We found no significant differences as a result of this procedure.

6. We obtained an understanding of the university's team travel policies. We compared and agreed these policies to existing university and NCAA related policies.

We found no significant differences as a result of this procedure.

7. We obtained and documented an understanding of the university's methodology for allocating indirect facilities support. We summed the indirect facilities support and indirect institutional support totals reported by the university in the Statement.

We found no exceptions as a result of these procedures.

8. We compared and agreed indirect facilities and administrative support reported by the university in the Statement to the corresponding revenue category (indirect facilities and administrative support) reported by the university in the Statement. We also recalculated the totals.

We found no exceptions as a result of these procedures.

9. We selected one operating expense from each category not previously mentioned above and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

1. We obtained from university management a list of contributions received by the athletic department to identify any individual contributions that constitute more than 10% of total contributions.

No individual contributions were received by the athletic department that exceeded 10% of total contributions.

2. We obtained a schedule of total intercollegiate athletics capitalized assets, additions and improvements of facilities by type along with a description of the university's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets.

We were provided the capital asset information by management (note 2).

3. We agreed the capital asset schedule to the university's general ledger and selected any capitalized addition that was greater than 10% of total capital additions and agreed recorded cost to adequate supporting documentation.

The capital assets schedule was agreed to the university's general ledger; however, there were no capitalized additions or improvements identified by management.

**MINIMUM AGREED-UPON PROCEDURES
FOR AFFILIATED AND OUTSIDE ORGANIZATIONS**

1. We obtained written representations from management of the university that the Louisiana Tech University Foundation, Inc., was the only outside organization created for or on behalf of the athletic department.
2. We obtained from management a summary of revenues and expenses for or on behalf of intercollegiate athletics programs by affiliated and outside organizations and written representations as to the fair presentation of the summary and agreed the amounts reported to the university's general ledger.

We found no exceptions as a result of these procedures.

3. We obtained and tested the university's procedures for gathering information on the nature and extent of affiliated and outside organizational activity for, or on behalf of, the university's intercollegiate athletics program.

We found no significant deficiencies in the design of the university's procedures for gathering information on the nature and extent of affiliated and outside organizational activity for, or on behalf of, the university's intercollegiate athletics program.

4. We obtained the independent auditor's report for all outside organizations to identify any reportable conditions relating to their internal control and made inquiries of management to document any corrective action taken in response to the reportable conditions.

The financial statements of the Louisiana Tech University Foundation, Inc., and the Louisiana Tech Alumni Association, Inc., were audited by an independent certified public accounting firm for the years ended June 30, 2005 and 2004 and June 30, 2004, respectively. The audit reports are dated August 1, 2005, and December 9, 2004, respectively, and included no reportable conditions relating to the outside organization's internal control.

INDEPENDENT ACCOUNTANT'S REPORT

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying statement of revenues and expenses and related notes of Louisiana Tech University. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the president of Louisiana Tech University and is not intended to be, and should not be, used by anyone other than the president. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", is written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

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Statement A

**ATHLETIC DEPARTMENT
LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues and Expenses
For the Year Ended June 30, 2005**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	\$552,527	\$88,583	\$187,171	\$35,087	\$5,015	\$868,383
Away - games' sales and guarantees	1,750,000	150,000	16,000			1,916,000
Contributions	360,306	33,229	42,453	146,600	1,048,965	1,631,553
Direct state or other government support	3,459		55,223	222,011		280,693
Direct institutional support	216,460	39,245	41,721	352,169	2,740,170	3,389,765
Indirect facilities and administrative support					1,145,838	1,145,838
NCAA/Conference distributions including all tournament revenues			45,467	4,670	1,276,646	1,326,783
Program sales, concessions, novelty sales, and parking	24,685	2,877	4,213	2,713	171,298	205,786
Royalties, advertisements, and sponsorships				24,800	219,477	244,277
Other	180			228		408
Total operating revenues	<u>2,907,617</u>	<u>313,934</u>	<u>392,248</u>	<u>788,278</u>	<u>6,607,409</u>	<u>11,009,486</u>
EXPENSES						
Operating expenses:						
Athletics student aid	940,102	162,245	169,082	1,084,721	227,986	2,584,136
Guarantees	50,000	6,850	7,900			64,750
Coaching salaries, benefits, and bonuses paid by the university and related entities	851,035	353,505	351,606	393,519	229,765	2,179,430
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	92,625	40,520	40,382	24,949	885,798	1,084,274
Recruiting	70,909	27,834	27,837	65,051	1,804	193,435
Team travel	495,187	100,111	131,013	444,132	3,794	1,174,237
Equipment, uniforms, and supplies	423,698	32,382	41,506	217,775	667,330	1,382,691
Game expenses	75,472	52,273	40,691	33,057	9,570	211,063
Fund raising, marketing, and promotion	54,045	6,174	8,880	26,063	90,536	185,698
Direct facilities, maintenance and rental	21,449	6,465	5,912	7,386	188,891	230,103
Indirect facilities and administrative support					1,145,838	1,145,838
Medical expenses and medical insurance					106,711	106,711
Memberships and dues					400,000	400,000
Other operating expense	4,632	10,148	6,769	8,496	23,978	54,023
Total operating expenses	<u>3,079,154</u>	<u>798,507</u>	<u>831,578</u>	<u>2,305,149</u>	<u>3,982,001</u>	<u>10,996,389</u>
EXCESS (Deficiency) OF REVENUES OVER (UNDER) EXPENSES	<u>(\$171,537)</u>	<u>(\$484,573)</u>	<u>(\$439,330)</u>	<u>(\$1,516,871)</u>	<u>\$2,625,408</u>	<u>\$13,097</u>

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1. CONTRIBUTIONS

No individual contribution of money, goods or services constituted 10% or more of total contributions received by Louisiana Tech University Athletics from any outside organization, agency or individual.

2. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the university's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized, but the university does not have any infrastructure that meets that criterion. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. All departments within the university follow standardized policies and procedures established by state laws and regulations for acquiring, approving, and disposing of capital assets. The university has no debt associated with its athletic department's capital assets.

Capital asset activity for the Athletic Department for the year ended June 30, 2005, is as follows:

	Balance June 30, 2004	Additions	Balance June 30, 2005
Capital assets			
Land improvements	\$395,085		\$395,085
Less - accumulated depreciation	(395,085)		(395,085)
Total land improvements	NONE	NONE	NONE
Buildings	24,795,680		24,795,680
Less - accumulated depreciation	(13,334,646)	(\$619,893)	(13,954,539)
Total buildings	11,461,034	(619,893)	10,841,141
Equipment	443,123		443,123
Less - accumulated depreciation	(321,082)	(18,537)	(339,619)
Total equipment	122,041	(18,537)	103,504
Total capital assets	<u>\$11,583,075</u>	<u>(\$638,430)</u>	<u>\$10,944,645</u>
Capital asset summary			
Capital assets, at cost	\$25,633,888		\$25,633,888
Less - accumulated depreciation	(14,050,813)	(\$638,430)	(14,689,243)
Capital assets, net	<u>\$11,583,075</u>	<u>(\$638,430)</u>	<u>\$10,944,645</u>

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